

E-999/CI-93-894 ORDER PROVIDING NOTICE OF COMMISSION CONSIDERATION OF
CONSERVATION AND ENERGY EFFICIENCY STANDARDS FOR ELECTRIC UTILITIES
AND ESTABLISHING COMMENT PERIOD

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Investigation into Standards
Regarding the Encouragement of Investments
in Conservation and Energy Efficiency by
Electric Utilities under Section 111 of the
Energy Policy Act of 1992

ISSUE DATE: August 15, 1994

DOCKET NO. E-999/CI-93-894

ORDER PROVIDING NOTICE OF
COMMISSION CONSIDERATION OF
CONSERVATION AND ENERGY
EFFICIENCY STANDARDS FOR
ELECTRIC UTILITIES AND
ESTABLISHING COMMENT PERIOD

PROCEDURAL HISTORY

On October 24, 1992, the federal Energy Policy Act of 1992 (the Energy Act) was signed into law. This comprehensive national energy legislation has significantly affected the wholesale electric power market and retail electric and gas utility operations and regulation.

The Energy Act amended the Public Utility Regulatory Policies Act of 1978 (PURPA) to require all state regulatory agencies to consider three new sets of standards. The standards concern long-term wholesale purchased power, and conservation and energy efficiency standards for both gas and electric utilities.

The Commission has dealt with the first two sets of standards. On October 25, 1993, the Commission issued an Order¹ determining that it would consider the four evaluative issues under Section 712 of the Energy Act in integrated resource planning proceedings, competitive bidding dockets, and any other regulatory procedures in which long-term wholesale purchased power contracts are relevant.

On May 4, 1994, the Commission issued an Order² declining to adopt the two standards on gas integrated resource planning and investment in conservation and demand management under Section 115 of the Energy Act.

¹ In the Matter of an Investigation into Standards Regarding Long-Term Wholesale Purchased Power under Section 712 of the Energy Policy Act of 1992, Docket No. E-999/CI-93-207, ORDER AFTER CONSIDERATION OF EVALUATIVE ISSUES IN SECTION 712 OF THE ENERGY POLICY ACT OF 1992.

² In the Matter of an Investigation into Standards Regarding the Encouragement of Investments in Conservation and Energy Efficiency by Gas Utilities under 15 USC 3203 as Amended by Section 115 of the Energy Policy Act of 1992, Docket No. G-999/CI-93-895, ORDER DECLINING TO ADOPT TWO FEDERAL STANDARDS.

The remaining set of standards to be considered is found under Section 111 of the Energy Act. This section amends Title I of PURPA to require state regulatory agencies to consider the following new standards with respect to electric utilities:

1. Integrated resource planning. Each electric utility shall employ integrated resource planning which compares supply and demand options on a systematic and comparable basis.
2. Investments in conservation and demand management. The rates charged by a State regulated utility shall be such that the utility's investment in and expenditures for energy conservation, energy efficiency resources, and other demand side management measures are at least as profitable, giving consideration to income lost from reduced sales resulting from such programs, as its investments in and expenditures for the construction of new generation, transmission and distribution equipment.
3. Energy efficiency investments in power generation and supply. The rates charged by any electric utility shall be such that the utility is encouraged to make investments in and expenditures for, all cost effective improvements in the energy efficiency of power generation, transmission and distribution. State regulatory authorities and nonregulated electric utilities shall consider the disincentives caused by existing ratemaking policies and practices, and consider incentives that would encourage better maintenance, and investment in more efficient power generation, transmission and distribution equipment.

PURPA, as amended by the Energy Act, requires each state public utility commission to commence consideration of the new standards, or to set a hearing date for such consideration, by October 23, 1994. The amended section of PURPA also requires each commission to make a determination on adoption of the new standards by October 23, 1995. PURPA directs the commission to give notice, hold hearings, and state in writing its reasons for its determination.

On August 4, 1994, the Commission met to consider the process by which it would arrive at a determination regarding the adoption of the three new federal energy standards.

FINDINGS AND CONCLUSIONS

The Commission followed a process of notice and hearing in previous considerations of standards for wholesale power purchases and gas utility conservation and energy efficiency. In each of those proceedings, the Commission sent notice of its considerations to all potentially interested parties. The parties were asked to respond to certain questions posed by the Commission. In addition, parties were allowed to raise relevant issues of concern to them. The Commission took the parties' written comments into consideration when it met to deliberate on the adoption of the standards. The Commission's decision and reasoning were issued in a written Order.

The Commission finds that this process is appropriate for the present proceeding. The process will give all interested parties the opportunity to contribute their perspectives through written comments. The parties should represent a broad range of interests and opinions. With the input from interested parties, the Commission will be able to form a policy determination on the adoption of the new federal energy standards.

Parties are requested to respond to the attached questions on or before October 3, 1994. If parties wish to raise additional issues, they are asked to raise them in this initial round of comments so that all parties may have a chance to reply to them.

ORDER

1. On or before October 3, 1994, interested parties shall file comments regarding the three proposed federal energy standards pertaining to electric utility integrated resource planning, conservation and demand management investment, and energy efficiency investment. Parties' comments shall address the questions attached as Exhibit A but may also include other relevant issues.
2. On or before November 2, 1994, parties who wish to submit reply comments may do so.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

Exhibit A

A. Electric Integrated Resource Planning

Should the Act's electric integrated resource planning standard be adopted and should Minnesota's existing IRP process be changed or eliminated for electric utilities in the State?

1. What are the potential benefits and costs of formally adopting this standard?
2. Is the current regulatory structure for electric utilities in Minnesota already accomplishing the goals of PURPA?
 - a. If not, what changes would best accomplish these goals?
3. Could the current regulatory structure be improved, through modifications or better coordination, to accomplish the goals of PURPA?
4. Has there been any activity, e.g. rulemakings that have been undertaken, discontinued and/or rejected independent of the Act, in other jurisdictions that are related to electric integrated resource planning that would be relevant to this investigation?

B. Investment in Conservation and DSM

Should the standard, i.e. that energy conservation measures, load shifting programs and other demand-side management measures be at least as profitable as the acquisition or construction of supplies and facilities, be adopted in Minnesota?

1. What are the potential benefits and costs of formally adopting this standard?
2. Is this standard already in effect on a defacto basis through the operation of electric CIP and financial incentives for electric DSM?
3. If the standard is adopted what would have to be done to implement the new standard that isn't already being done?
4. Has there been any activity in other jurisdictions that would be relevant to this part of the Commission's investigation?

C. Energy Efficiency Investments in Power Generation and Supply

1. Should this standard be adopted in Minnesota?
2. What are the potential benefits and costs of formally adopting this standard?
3. Are there disincentives for cost-effective energy efficiency investments in power generation, transmission and distribution caused by existing ratemaking policies, and practices?
4. Would incentive-ratemaking for these investments encourage better maintenance, and cost-effective investment in more efficient power generation? How would the incentive work?
5. Does the Commission's existing ratemaking treatment for energy efficiency investments in power generation appropriately reward such investments?

D. Protection for Small Business

If the Commission adopts any of the standards then it will also need to consider the impact of adopting those standards on small businesses at the time those standards are implemented.

All parties are asked to comment on the hypothetical question of small business impacts under the assumption that the Commission adopts the new standards. Parties should remain fully aware that the Commission may or may not adopt these standards.

The following language is from the Act. Section 111, subsection (b) of the Act, which is entitled Protection for Small Business, adds a new subsection (d) to PURPA, Title I, Section 111(c) as follows:

- (3) SMALL BUSINESS IMPACTS. -If a State regulatory authority implements a standard established by subsection (d)(7) or (8), such authority shall -
 - (1) consider the impact that implementation of such standard would have on small businesses engaged in the design, sale, supply, installation, or servicing of energy conservation, energy efficiency, or other demand-side management measures, and
 - (2) implement such standards so as to assure that utility actions would not provide such utilities with unfair competitive advantages over such small businesses.